

TOP SECRET

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26 February 1952

[Redacted]

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Copy No. 49

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CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 2
NO CHANGE IN CLASS. X
1. ENCLASSED
CLASS. CHANGED TO: TS S 2001
NEXT REVIEW DATE: 2-4-79
REVIEWER: [Redacted]

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[Redacted]

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Office of Current Intelligence

State Department review
completed

CENTRAL INTELLIGENCE AGENCY

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NEAR EAST - AFRICA

1. British Cabinet refuses immediate recognition of Farouk's title to Sudan:

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The British Cabinet has decided that Britain will not recognize Farouk as King of the Sudan prior to consultation with a Sudanese Parliament which will be elected this summer.

Britain hopes that Egypt will instruct its sympathizers to participate in the election campaign in order to obtain maximum representation in the Parliament.

Britain would have no objections to Egyptian-Sudanese discussions prior to the elections, but hopes that topics other than Farouk's title can be included.

Comment: The British Government has been reluctant to work out even this limited proposal on the Sudan. Because of the Egyptian insistence that the recognition of King Farouk's newly assumed title is essential to the success of any Anglo-Egyptian discussion, it appears that such discussions are likely to become deadlocked.

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EASTERN EUROPE

3. Tito may propose Italo-Yugoslav condominium for Trieste:



[redacted] Marshal Tito
recently informed [redacted]
[redacted] that about

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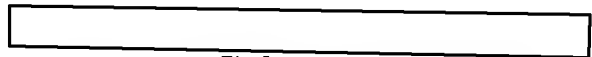
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1 March he will announce that Yugoslavia is prepared to open negotiations with Italy over Trieste on the basis of the Italian Peace Treaty. At that time Tito will propose the creation of a permanent free territory, including Yugoslav Zone B, under an Italo-Yugoslav condominium. The proposal will specify that the condominium be administered by a governor appointed not by the United Nations but alternately by Yugoslavia and Italy for a three- or four-year term.

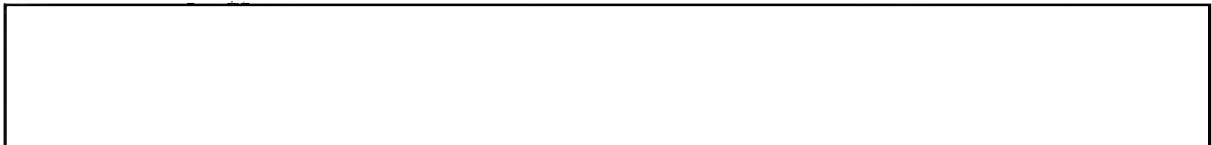
According to Tito the objective of this tactic will be to convince the West of Yugoslavia's good faith and to "force Italy's hand."

Comment:



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[redacted] Yugoslavia plans to propose an Italo-Yugoslav condominium over Trieste in an effort to weaken Italian claims to the area. A move to invoke the Italian Peace Treaty, which called for the creation of a Free Territory of Trieste governed by a UN Security Council appointee, would be a logical sequel to the failure of preliminary talks between the two governments to produce a formula for a territorial settlement.



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WESTERN EUROPE

4. Bonn attaches conditions to NATO contributions:



The German Federal Republic has submitted a memorandum to the NATO Council stating the conditions governing its payment of a 2.67-billion-dollar contribution to Western defense, beginning 1 July or later. Should the Federal Republic prove

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incapable of supporting the envisaged figure, it will ask for foreign aid pending a reduction of its defense burden. Furthermore, the Federal Republic and NATO will later review what other budgetary expenses are deductible from defense costs, with particular attention being given to federal aid to Berlin.

Comment: Germany's acceptance of its share of Western defense costs may be more apparent than real. There is a considerable difference between Allied and West German forecasts of gross national production. If the Allied forecast is not realized by fiscal year 1953, the Federal Republic will ask for a reduction of its defense costs.

In the November NATO meeting in Rome, the Allied High Commissioners were charged with negotiating an over-all defense figure for the West German fiscal year beginning 1 April. Hence West Germany will be granted a three- to four-month grace period before assuming the full costs of rearmament, which would cut some 330 million dollars from the original Allied figure for fiscal year 1952-53.

5. Italian Communists seek to regain strike initiative:

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The Communist Party is promoting local strikes throughout Italy. Many of these have been supported by the rank and file of the anti-Communist unions despite the announced opposition of their leaders.

A month-old strike over working conditions in the Sicilian sulphur mines, called by the Communist-dominated General Labor Confederation, has reached serious proportions. It now involves 10,000 workers, has interrupted MSA-sponsored modernization projects, and is paralyzing the sulphur industry.

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The American Embassy in Rome comments that the Communists are trying to retrieve the initiative in the labor field and their ability to use strikes as a subversive weapon in an emergency.

Comment: This is the first indication of a country-wide strike campaign. Brief strikes were reportedly called by the General Labor Confederation among the metallurgical workers in four north Italian provinces within the last two weeks.

Such a strike offensive, apparently directed at Italian defense industries, would violate last December's pledge by the leader of the General Labor Confederation that its members would work regularly on defense orders and offer only passive opposition. This attitude has apparently not met with approval in high Communist quarters.

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